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August 28, 2006

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Conversion of Insured Credit Unions to Mutual Savings Banks
71 FR 36946 (June 28, 2006)

Dear Ms. Rupp:

The New Jersey League of Community Bankers* (“the League”) appreciates the opportunity to comment on the National Credit Union Administration’s (NCUA) proposed amendments to its rules governing the conversion of insured credit unions to mutual savings banks or mutual savings associations under Part 708a of the NCUA’s regulations. Included among the League’s membership are several savings banks that have converted from credit unions.

The League supports the right of financial institutions to operate under the charter and regulatory structure that best meets the needs of its membership and the communities it serves. In making this decision, credit union members must have full and unbiased information. The proposed rule does not promote the transparency needed for this process to effectively take place.

Advance Notice - the League does not believe that the proposed advance notice and comment process would provide meaningful information to credit union members or a credit union’s board of directors. An advance notice requirement could easily spread misinformation about the impact of the conversion on members. It would also be inconsistent with the concept of electing a board of directors and undermine the importance of the conversion disclosure process, as well as the membership vote on whether to convert to a mutual savings bank or association. This proposed process muddies established corporate governance processes and erodes the value of the membership vote to elect directors and vote on conversion.

* The New Jersey League of Community Bankers, founded in 1908, is a trade association representing 72 of New Jersey’s savings banks, savings & loan associations and commercial banks with total assets of over \$85 billion. The League’s wholly-owned subsidiary, the Thrift Institutions Community Investment Corporation (“T.I.C.I.C.”) assists League members in forming consortia to make loans on low-to-moderate income housing and economic development projects throughout New Jersey. Since its founding in September 1991, T.I.C.I.C. has closed almost \$250 million in loans to create nearly 4,700 units of housing affordable to families, senior citizens and citizens with special needs. In addition, TICIC’s loan pipeline will create another 640 residential units to serve the needs of communities throughout the state.

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Disclosures - the mandatory disclosure language is not consistent with the conversion regulations established by any of the federal banking regulators. In all instances, the review of the substantive elements and requirements of disclosures are governed by the agency reviewing the application of the institution seeking to convert its charter. Should the NCUA move forward with revising its mandatory disclosure language, it should “neutralize” negative language, such as the header “LOSS OF CREDIT UNION MEMBERSHIP” when describing a vote for the conversion.

The League believes that the proposed mandatory disclosure language regarding rates on deposit and loan products is speculative and misleading and is not pertinent to the conversion transaction that is being considered. The NCUA should not require credit unions to make mandatory disclosures about the effect of conversion on loan and deposit rates based on studies that compare credit unions and all types of banks. It would be bad public policy to base mandatory disclosure language on incomparable pricing data. We urge the NCUA to withdraw the proposed language regarding the effect of conversion on future rates and services.

Compensation of Officers and Directors - the proposed disclosure language suggests that credit union managers use charter conversions as a way to get rich at the expense of account holders and that the OTS will not adequately oversee the transactions of mutual institutions that convert to stock form. OTS regulations governing the sale of conversion shares ensure that officials of mutual savings associations converting to stock institutions are not enriched at the expense of depositors. The NCUA’s proposed disclosure language also suggests that stock option and stock benefit plans are unfair and unethical. Performance based compensation plans, particularly stock benefit plans, have become an effective way to attract highly talented employees and to link employee compensation to the success of the institution. Many companies use employee stock benefit plans to reduce the reliance on the salary and the bonus as the primary sources of employee compensation.

It should be noted that compensation of bank executives and directors of publicly traded banks is subject to substantially more transparency and scrutiny than the compensation plans of credit union executives. Securities and Exchange Commission rules require publicly traded banks to disclose executive and director compensation in the company’s proxy material and registration statements. Information about stock options and deferred compensation plans must also be disclosed.

It should not be assumed that converted credit unions will necessarily convert from mutual to stock savings institutions. The League membership includes mutual savings banks that have determined that this structure best meets the needs of their depositors and communities.

In closing, the League reiterates its position that all financial institutions should have the right to choose the charter that best meets its needs and the needs of its members and the communities it serves. We appreciate this opportunity to comment on this important matter.

Sincerely,



James M. Meredith
Executive Vice President